

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )  
AVISTA CORPORATION FOR AN ORDER ) CASE NO. AVU-U-04-1  
AUTHORIZING THE OFFERING, ISSUANCE )  
AND SALE OF SECURITIES NOT TO EXCEED )  
\$62,000,000. ) ORDER NO. 29447  
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On February 19, 2004, Avista Corporation (hereinafter called "Avista") filed an Application with the Idaho Public Utilities Commission for an Order authorizing the offering, issuance and sale by the Applicant of up to and including \$62,000,000 of subordinated debentures, with fixed or variable rates, and any refunding, extension, renewal or replacement of any of the foregoing (the "Subordinated Debentures").

The Commission, having fully considered the Application and exhibits attached thereto, and all of the Commission's files and records pertaining to this Application, now makes the following Findings of Fact and Conclusions of Law:

**FINDINGS OF FACT**

Avista Corporation is a Washington corporation qualified to do business within the State of Idaho and is a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy and the purchase, distribution and sale of natural gas.

Avista requests authority to offer, issue and sell up to and including \$62,000,000 of Subordinated Debentures at fixed or variable rates. The proceeds will be used to redeem the outstanding amount of \$60 million for the 7.875% Junior Subordinated Deferrable Interest Debentures, Series A, due 2037 and the Avista Capital I 7.875% Trust Originated Preferred Securities, Series A. The original securities were issued pursuant to Order No. 26669 dated November 1, 1996 in Case No. WWP-U-96-1. The covenants of the existing securities only allow retirement of the securities with securities holding like subordination. These Subordinated Debentures and the Trust Preferred Securities meet these covenant requirements and will allow some financing flexibility for Avista.

The initial issuance will have a fixed interest rate not to exceed 7% for the first five years, at which time the Preferred Securities can be redeemed or reissued with either a fixed or floating interest rate. The entire term of the Subordinated Debentures may range from 30 to 40

years. Avista also requests authority to refund, extend, renew or replace the proposed debentures to fully utilize the flexible nature of these debentures.

According to the Application, the net proceeds will be used for (a) the improvement or maintenance of its service; (b) the discharge or lawful refunding of its obligations; (c) the reimbursement of moneys actually expended for said purposes from income or from other moneys in the treasury not secured by or obtained from the issue, assumption or guarantee of securities; or (d) any other purpose approved by the commission or authorized by law.

Avista affirms that no person has received or will be entitled to receive from the Applicant any fee (1) for services in connection with the consummation of the issuance and sale of the above-referenced securities, other than fees for underwriting, legal, accounting or similar professional or technical services, or (2) for services in securing underwriters, sellers or purchasers of the securities.

#### CONCLUSIONS OF LAW

The Commission finds that Avista is a gas corporation within the definition of *Idaho Code* § 61-117, an electric corporation within the definition of *Idaho Code* § 61-119, and a public utility within the definition of *Idaho Code* § 61-129. Therefore, the Commission has jurisdiction over this Application pursuant to the provisions of *Idaho Code* § 61-901 *et seq.* The Commission further finds that the Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure, IDAPA 31.01.01.141-150.

The Commission finds that the proposed issuance is for a lawful purpose and is within Avista's corporate powers. However, this is only a general approval and is not a finding of fact or a conclusion of law that the particular use to which these funds are to be put is approved by this Order. The issuance of an Order authorizing the proposed issuance does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes. The Commission does not have before it for determination in this case and, therefore, does not determine the effect of issuance on rates to be charged by Avista for gas or electric service to consumers in the State of Idaho.

The Commission further finds that the proposed transaction is in the public interest and a formal hearing on this matter would serve no public purpose.

Avista has paid all lawful fees as provided by *Idaho Code* § 61-905.

## O R D E R

IT IS HEREBY ORDERED that Avista Corporation be, and the same hereby is, authorized to offer, issue and sell up to and including \$62,000,000 in Subordinated Debentures as described in the Application filed on February 19, 2004.

IT IS FURTHER ORDERED that Avista is hereby authorized to issue the Subordinated Debentures in the manner and for the purposes described in the Application with continuing authority to refund, extend, renew or replace the same without further order of the Commission, provided that the fees, interest rates and expenses charged or incurred in connection with any transactions entered into under the authority of this Order, and any refunding, extension, renewal or replacement thereof, are competitive with market prices for similar transactions.

IT IS FURTHER ORDERED that Avista shall file the terms of the proposed Subordinated Debenture issuance(s) and any subsequent changes to the terms with Staff prior to issuance. This informational filing should be made seven (7) days, or as soon as possible, prior to the issuance.

IT IS FURTHER ORDERED that Avista shall file, as soon as they become available, and update when changes occur, the following:

- (a) The "Report of Securities Issued"; and
- (b) Verified copies of any Agreement entered into pursuant to this Order.

IT IS FURTHER ORDERED that Avista file a status report with this Commission at least 30 days prior to the end of the fifth year when the terms of the securities may change. This informational filing should include an analysis of any changes considered and the best available estimates for the security terms. This informational filing shall be updated as terms change as long as the securities are outstanding.

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of the Commission with respect to rates, utility capital structure, service, accounts, valuation, estimates for determination of cost or any other matter which may come before this Commission pursuant to its jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provisions of Chapter 9, Title 61, Idaho Code, or any act or deed done or performed in connection therewith shall be construed to obligate the state of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued assumed or guaranteed under the provisions of Chapter 9, Title 61, Idaho Code.

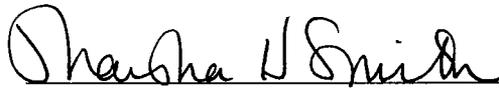
IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of the Avista's exhibits or other material accompanying the Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. AVU-U-04-1 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. AVU-U-04-1. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 15<sup>th</sup> day of March 2004.



PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell  
Commission Secretary

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